



Credit Repair: Self-Help May Be Best



Federal Trade Commission
Bureau of Consumer Protection
Office of Consumer & Business Education
1-877-FTC-HELP www.ftc.gov

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You see the advertisements in newspapers, on TV, and on the Internet. You hear them on the radio. You get fliers in the mail. You may even get calls from telemarketers offering credit repair services. They all make the same claims:

- ◆ "Credit problems? No problem!"
- ◆ "We can erase your bad credit—100% guaranteed."
- ◆ "Create a new credit identity—legally."
- ◆ "We can remove bankruptcies, judgments, liens, and bad loans from your credit file forever!"

Do yourself a favor and save some money, too. Don't believe these statements. Only time, a conscious effort, and a personal debt repayment plan will improve your credit report.

This brochure explains how you can improve your credit worthiness and lists legitimate resources for low or no-cost help.

\$ The Scam

Everyday, companies nationwide appeal to consumers with poor credit histories. They promise, for a fee, to clean up your credit report so you can get a car loan, a home mortgage, insurance, or even a job. The truth is, they can't deliver. After you pay them hundreds or thousands of dollars in up-front fees, these companies do

nothing to improve your credit report; many simply vanish with your money.

\$ The Warning Signs

If you decide to respond to a credit repair offer, beware of companies that:

- ◆ Want you to pay for credit repair services before any services are provided,
- ◆ Do not tell you your legal rights and what you can do—yourself—for free;
- ◆ Recommend that you not contact a credit bureau directly;
- ◆ Suggest that you try to invent a "new" credit report by applying for an Employer Identification Number to use instead of your Social Security Number; or
- ◆ Advise you to dispute all information in your credit report or take any action that seems illegal, such as creating a new credit identity. If you follow illegal advice and commit fraud, you may be subject to prosecution.

You could be charged and prosecuted for mail or wire fraud if you use the mail or telephone to apply for credit and provide false information. It's a federal crime to make false statements on a loan or credit application, to misrepresent your Social Security Number, and to obtain an Employer Identification Number from the Internal Revenue Service under false pretenses.

Under the Credit Repair Organizations Act, credit repair companies cannot require you to pay until they have completed the promised services.

The Truth

No one can legally remove accurate and timely negative information from a credit report. But the law does allow you to request a reinvestigation of information in your file that you dispute as inaccurate or incomplete. There is no charge for this. Everything a credit repair clinic can do for you legally, you can do for yourself at little or no cost. According to the Fair Credit Reporting Act:

- ◆ You are entitled to a free copy of your credit report if you've been denied credit, insurance or employment within the last 60 days. If your application for credit, insurance, or employment is denied because of information supplied by a credit bureau, the company you applied to must provide you with that credit bureau's name, address, and telephone number.
- ◆ You can dispute mistakes or outdated items for free. Ask the credit reporting agency for a dispute form or submit your dispute in writing, along with any supporting documentation. Do not send them original documents.

Clearly identify each item in your report that you dispute, explain why you dispute the information, and request a

reinvestigation. If the new investigation reveals an error, you may ask that a corrected version of the report be sent to anyone who received your report within the past six months. Job applicants can have corrected reports sent to anyone who received a report for employment purposes during the past two years.

When the reinvestigation is complete, the credit bureau must give you the written results and a free copy of your report if the dispute results in a change. If an item is changed or removed, the credit bureau cannot put the disputed information back in your file unless the information provider verifies its accuracy and completeness, and the credit bureau gives you a written notice that includes the name, address, and phone number of the provider.

You also should tell the creditor or other information provider **in writing** that you dispute an item. Many providers specify an address for disputes. If the provider then reports the item to any credit bureau, it must include a notice of your dispute. In addition, if you are correct—that is, if the information *is* inaccurate—the information provider may not use it again.

If the reinvestigation does not resolve your dispute, have the credit bureau include your version of the dispute in your file and in future reports. Remember, there is no charge for a reinvestigation.

Reporting Negative Information

Accurate negative information generally can be reported for seven years, but there are exceptions:

- ◆ Bankruptcy information can be reported for 10 years;
- ◆ Information reported because of an application for a job with a salary of more than \$75,000 has no time limitation;
- ◆ Information reported because of an application for more than \$150,000 worth of credit or life insurance has no time limitation;
- ◆ Information concerning a lawsuit or a judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer; and
- ◆ Default information concerning U.S. Government insured or guaranteed student loans can be reported for seven years after certain guarantor actions.

The Credit Repair Organizations Act

By law, credit repair organizations must give you a copy of the “Consumer Credit File Rights Under State and Federal Law” before you sign a contract. They also must give you a written contract that spells out

your rights and obligations. Read these documents before signing the contract. The law contains specific protections for you. For example, a credit repair company cannot:

- ◆ make false claims about their services;
- ◆ charge you until they have completed the promised services; or
- ◆ perform any services until they have your signature on a written contract and have completed a three-day waiting period. During this time, you can cancel the contract without paying any fees.

Your contract must specify:

- ◆ the payment terms for services, including their total cost;
- ◆ a detailed description of the services to be performed;
- ◆ how long it will take to achieve the results;
- ◆ any guarantees they offer; and
- ◆ the company's name and business address.

\$ Have You Been Victimized?
Many states have laws strictly regulating credit repair companies. States may be helpful if you've lost money to credit repair scams.

If you've had a problem with a credit repair company, don't be embarrassed to report them. While you may fear that contacting the government will only make your problems worse, that's not true. Laws are in place to protect you. Contact your local consumer affairs office or your state attorney general (AG). Many AGs have toll-free consumer hotlines. Check with your local directory assistance.

You also may wish to contact the FTC. Although the Commission cannot resolve individual credit problems for consumers, it can act against a company if it sees a pattern of possible law violations. If you believe a company has engaged in credit fraud, contact the Consumer Response Center by phone, toll-free at 1-877-FTC-HELP (382-4357); TDD: 202-326-2502; by mail: Consumer Response Center, Federal Trade Commission, Washington, DC 20580; or use the complaint form at www.ftc.gov.

\$ Need Help? Don't Despair
Just because you have a poor credit report doesn't mean you won't be able to get credit. Creditors set their own credit-granting standards and not all of them look at your credit history the same way. Some may look only at more recent years to evaluate you for credit, and they may grant credit if your bill-paying history has improved. It may be worthwhile to contact creditors informally to discuss their credit standards.

If you can't resolve your credit problems yourself or you need additional help, you may want to contact a credit counseling service. There are non-profit organizations in every state that counsel consumers in debt. Counselors try to arrange repayment plans that are acceptable to you and your creditors. They also can help you set up a realistic budget. These counseling services are offered at little or no cost to consumers. You can find the office nearest you by checking the white pages of your telephone directory.

In addition, nonprofit counseling programs sometimes are operated by universities, military bases, credit unions, and housing authorities. They're also likely to charge little or nothing for their services. Or, you can check with your local bank or consumer protection office to see if it has a list of reputable, low-cost financial counseling services.

\$ Do-It-Yourself Check-Up

Even if you don't have a poor credit history, it's a good idea to conduct your own credit check-up, especially if you're planning a major purchase, such as a home or car. Checking in advance on the accuracy of the information in your credit report could speed the credit-granting process.

You're entitled to one free report a year if you can prove that (1) you're unemployed and plan to look for a job with 60 days, (2) you're on welfare, or (3) your report is inaccurate because of fraud. Otherwise, a credit bureau may charge you up to \$8.50 for a copy of your report.

Credit bureaus usually are listed in the yellow pages of your telephone book under "credit reporting agencies." Three large national credit bureaus supply most credit reports: TRW, Equifax, and Trans Union. You may want to contact each of them for a copy of your report.

Experian (formerly TRW)
P.O. Box 2002
Allen, TX 75013
1-800-682-7654

Equifax
P.O. Box 740241
Atlanta, GA 30374-0241
1-800-685-1111

Trans Union
760 West Sproul Road, P.O. Box 390
Springfield, PA 19064-0390
1-800-916-8800

\$ For More Information

The FTC enforces a number of federal laws involving consumer credit for which free publications are available. For a free copy of Best Sellers, a complete list of FTC publications, contact:
Consumer Response Center
Federal Trade Commission
Washington, DC 20580
1-877-FTC-HELP (382-4357)
202-326-2502 (TDD)
Or visit the FTC at www.ftc.gov.